

TOP SECRET

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FAR EAST

1. Chiang Kai-shek agrees to release of Russian tanker crew:

25X1 [redacted] Chiang Kai-shek told the American
chargé in Taipei on 28 June he would
release the crew of the Soviet tanker
25X1 Tuapse in ten days or two weeks. [redacted]

25X1 [redacted] Chiang
would make no commitment regarding release of the ship itself.

Comment: The Tuapse was seized by
the Nationalist navy off southern Formosa on 23 June 1954.
Chiang had previously told Ambassador Rankin that he would
offer to release the 40 crew members who wish to return to the
USSR in exchange for return of American airmen now held pris-
oner by the Chinese Communists. He has refused to release the
ship despite urging by his own Foreign Ministry that he do so.

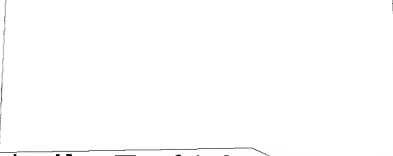
SOUTH ASIA

2. Afghan prime minister Daud may be removed:

25X1 [redacted] Afghan prime minister Daud may be re-
moved within a few days as a result of
efforts made by the Afghan royal family
in co-operation with the Pakistani gov-
ernment. Shah Mahmud and Shah Wali,
powerful members of the royal family,
are aroused over the prime minister's
rejection of Pakistan's latest proposal
of 25 June for settlement of the quarrel
between the two countries.

According to press reports of 28 and 29 June, Pakistan, presumably in compliance with Shah Mahmud's request, is preparing to sever diplomatic relations and institute a formal economic blockade of Afghanistan. Meanwhile, the Saudi Arabian mediator announced in Karachi the failure of his mediation attempts.

3. Pakistan adherence to Turkish-Iraqi pact may be imminent:



Pakistani defense minister general Mohammad Ayub Khan, who is now visiting Turkey, has cabled Karachi recommending prompt adherence by Pakistan to the Turkish-Iraqi pact, according to Ambassador Warren in Ankara. Ayub has also informed Karachi that the Turks, Iraqis, and British contemplate setting up a council in connection with the pact immediately following Pakistan's adherence. Ambassador Warren states that Ayub's decision followed two sessions with Turkish and Iraqi officials.

Comment: Ayub's action may pave the way for Pakistan's early adherence to the pact, since the defense minister was the chief advocate of delay until Karachi could be sure that the United States would also join.

If, however, the Karachi government fails to act before 7 July, when the Constituent Assembly is scheduled to meet, Pakistani action on the pact may be indefinitely delayed.

NEAR EAST - AFRICA

4. Report of North African gunrunning foreshadows new French pressure for US support:



British ambassador Jebb in Paris has informed Ambassador Dillon that careful investigation indicates gunrunning from

Libya to Algeria is taking place on a larger scale than the British had previously supposed. The French government has been informed of the British discovery.

Comment: Paris, which on 20 June suggested high-level talks with Washington on mutual interests in North Africa, will use such a report to redouble pressure on both Washington and London for increased support on North African problems.

In recent months the French government has repeatedly charged American complicity in North African nationalist activity. These allegations were largely based on reports of gunrunning which Premier Faure's personal spokesman admitted on 24 June to American officials were based on very meager information supplied by anti-American elements.

EASTERN EUROPE

5. USSR reported prepared to make "unheard-of sacrifices" to reach agreement with Bonn:

A Soviet official in East Berlin recently stated that the USSR will make "unheard-of sacrifices" to secure an agreement with West Germany,

Possible concessions include "political withdrawal," the sacrifice of top-level East German government officials, and "even the revision of the Oder-Neisse line." The official added that the USSR wants relaxation in Europe "at any price."

Comment: These extravagant statements are similar to others concerning Soviet intentions toward Germany. The USSR may hope, by creating the impression that it is willing to make great sacrifices, to convince West Germans that they should yield on such key issues as elections and neutralization. There is little prospect, however, that West Germany will make such concessions.

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